

# BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Diego Gas &	)	
Electric Company (U 902 G) and Southern California	)	
Gas Company (U 904 G) for Authority to Integrate Their	)	A.04-12-004
Gas Transmission Rates, Establish Firm Access Rights,	)	(Filed December 2, 2004)
and Provide Off-System Gas Transportation Services.	)	
	_)	

Comments Of Southwest Gas Corporation (U 905 G)
On The Proposed Decision of ALJ John S. Wong
And The Proposed Alternate Decision Of Commissioner Geoffrey F. Brown
Regarding The Phase II Issues

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Dated: November 20, 2006

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Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure and the October 31, 2006 notification by Chief Administrative Law Judge Angela K. Minkin, Southwest Gas Corporation (Southwest) respectfully submits comments on the proposed decision (PD) of ALJ John S. Wong and the alternate proposed decision (APD) of Commissioner Geoffrey F. Brown regarding the Phase II issues.

#### The Factual and Technical Errors

Southwest urges the Commission to conclude that, taken as a whole, the record supports Southwest's position that Southwest should be allocated sufficient bidding rights during Step 2 of an Open Season to serve Southwest's core customers' extreme winter demands. **Appended** to these Comments are Southwest's recommended changes to the PD and APD.

### Discussion

On page 99 of both the PD and the APD, Southwest's position is articulated and then rejected. Instead, the PD and the APD embrace the position of SDG&E and SoCalGas that there are other options under the FAR system available to Southwest. The fallacy is that, albeit other options may exist, none of the other options provides the same level of reliability that would be secured for

Southwest's core customers by being allocated sufficient bidding rights through Step 2 of an Open Season to serve Southwest's core customers' extreme winter demands.

#### Comments on the PD and APD

Southwest has addressed concerns regarding the suggested alternatives in the prefiled testimony of Southwest witness Steven D. Williams [See line 18 on page 5 through line 8 on page 7 of Exhibit No. 24].

Under the current proposals, Southwest would be allocated maximum bidding rights through Step 2 based on an <u>average</u> consumption for the base period. The base period is proposed to be 36 consecutive months of consumption ending four months prior to the Open Season process. This maximum bidding right restriction would limit Southwest's ability to reliably secure less expensive intrastate capacity for its core customers, and it would force Southwest to secure firm resources that may be unobtainable or may be more costly.

Southwest agrees it would have the option to use interruptible transportation. However, interruptible transportation may not be available during periods that Southwest's system is experiencing extreme weather. Unlike most other "non-core" customers on SDG&E's/SoCalGas' system, Southwest has an obligation to serve core market demands during weather conditions ranging from warmer-than-normal to extreme cold. As such, Southwest must secure firm intrastate transportation resources to fulfill its service obligation and cannot during extreme weather events rely on interruptible transportation.

Southwest also agrees it might be able to secure additional capacity in Step 3 or purchase additional storage. These would be viable options if the resources were available and at reasonable cost. The availability as well as cost of both options is uncertain. Storage may not be available, and if expansion is necessary, the costs for expanded storage services may be expensive. The PD and

APD propose that Step 3 be bifurcated into two steps. The first step of Step 3 would allow bidding on existing receipt point rights, and the second step would allow participants to bid on expansion and new capacity. Further, the contract term for FAR awarded in Step 3 would range from three years to fifteen years. In order for Southwest to be assured it would be awarded capacity in the first step of Step 3, Southwest would need to submit a bid at the maximum capacity quantity available at receipt point(s) with a contract term of fifteen years. Southwest foresees no other way of being assured it would be awarded existing capacity since Southwest would be competing with marketers and other end-users for that capacity, and SDG&E/SoCalGas would likely award the capacity on the highest net present value of the bids. Southwest wants to emphasize that the Commission should only allow end-users to bid on existing capacity with a maximum term of three years. Southwest stated its concerns for acquiring capacity in Step 3 in the prefiled testimony of Steven D. Williams [See line 18 of page 5 through line 19 on page 6 of Exhibit No. 24].

As a result of the conclusions reached in the PD or APD concerning Southwest's position, Southwest evidently needs to clarify its position regarding being assigned enough bidding rights in Step 2 to serve core demands during extreme weather. Southwest did not propose in prefiled testimony, or has it stated in any other filed comments, that LDCs be allocated maximum bidding rights to serve the entire extreme weather peak day demand of core customers. Rather, Southwest did recognize that other contracted resources, such as storage, should be considered when allocating maximum bidding rights. In Southwest's prefiled testimony, Southwest demonstrated that if it were assigned maximum bidding rights based on an annual average core daily demand of 22,521 Dth/day, Southwest would have an intrastate resource shortfall of 15,534 Dth/day after taking into account Southwest's firm storage withdrawal rights of 62,100 Dth/day.

# Conclusion

Southwest recommends the PD and APD be modified so that Southwest would be allocated sufficient bidding rights during Step 2 of an Open Season to serve Southwest's core customers' extreme winter demands. **Appended** to these Comments are Southwest's recommended changes to the PD and APD.

Respectfully submitted this 20<sup>th</sup> day of November, 2006.

/s/ Andrew W. Bettwy

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# **Appendix**

Southwest recommends that the second paragraph commencing on page 99 of both the PD and the APD with the sentence "We do not adopt SWG's recommendation." be replaced with the following paragraph:

We adopt SWG's recommendation. Although, as SDG&E and SoCalGas point out, there are other options under the FAR system that SWG can use in order to ensure they have sufficient gas supplies to meet any extreme weather demand, none of the other options provide the same level of reliability that would be secured for Southwest's core customers by being allocated sufficient bidding rights through Step 2 of an Open Season to serve Southwest's core customers' extreme winter demands.

# **Certificate of Service**

I, Anita L. Hart, hereby certify that I have this day served a copy of the foregoing **COMMENTS OF SOUTHWEST GAS CORPORATION (U 905 G)** on each party named on the official service list in proceeding Application 04-12-004 by electronic mail or regular first-class mail where an electronic mail address was not provided.

Dated at Las Vegas, Nevada, this 20<sup>th</sup> day of November, 2006.

/s/ Anita L. Hart	

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Proceeding: A0412004 - SDG&E AND SOCAL GAS

Last changed: November 15, 2006

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